

Message Text

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PAGE 01 STATE 210505

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TO AMEMBASSY BERLIN PRIORITY

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C O N F I D E N T I A L STATE 210505

STADIS//////////

LIMDIS

E.O. 11652:GDS

TAGS: EAGR, EPAP, PFOR, GE, US

SUBJECT: GDR INTEREST IN LONG-TERM GRAIN ARRANGEMENT
WITH US

REF: BERLIN 6342

1. BEGIN UNCLASSIFIED: AUGUST 18 JOURNAL OF COMMERCE
CARRIED FOLLOWING ARTICLE ON US-GDR GRAIN SALES:

BEGIN TEXT:
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PAGE 02 STATE 210505

EAST GERMANY, EXPECTED TO BUY 2.5-3 MILLION TONS OF 1976-77 U.S. GRAIN PARTIALLY DUE TO BEING CUT OFF FROM 1977 SOVIET SUPPLIES, IS INTERESTED IN NEGOTIATING A GOVERNMENT-TO-GOVERNMENT GRAIN SUPPLY UNDERSTANDING WITH THE U.S.

EAST GERMAN TRADE OFFICIALS HAVE TALKED HERE WITH ASSISTANT AGRICULTURE SECRETARY, RICHARD BELL, ABOUT ESTABLISHING AN "UNDERSTANDING," AND EAST GERMAN OFFICIALS HAVE CONSULTED WITH OFFICIALS IN THE U.S. BERLIN EMBASSY, SEC. BELL CONFIRMED.

SEC. BELL SAID THE EAST GERMANS ARE INTERESTED IN ESTABLISHING AN UNDERSTANDING WITH THE U.S. SOMEWHAT AS POLAND DID IN NOVEMBER 1975. AN UNDERSTANDING COULD STATE THAT EAST GERMANY INTENDS TO BUY A SET QUANTITY OF AMERICAN GRAIN ANNUALLY AND THAT THE TWO NATIONS COULD SEMI-ANNUALLY REVIEW THEIR SUPPLY-DEMAND SITUATIONS.

SEC. BELL SAID HE IS INTERESTED IN TRADE DIALOGUE WITH THE EAST GERMANS, BUT POINTED OUT THAT THE PROBLEM IN PROCEEDING WITH AN UNDERSTANDING NOW IS THAT THE U.S. AND EAST GERMANY DO NOT HAVE A CONSULAR AGREEMENT, THE BASIC DIPLOMATIC UNDERSTANDING WHICH LIKELY IS NECESSARY BEFORE EAST GERMANY CAN GET A GRAIN UNDERSTANDING WITH THE U.S. OR SET UP THE NEW YORK TRADE OFFICE WHICH IT REPORTEDLY WANTS.

IF THE EAST GERMANS ESTABLISH A SUPPLY UNDERSTANDING WITH THE U.S., IT WOULD ENCOURAGE DIRECT SALES OF AMERICAN GRAIN, INSTEAD OF EAST GERMAN PURCHASES THROUGH WEST EUROPEAN DEALERS.

SEC. BELL DOESN'T RULE OUT ESTABLISHING A SUPPLY UNDERSTANDING FOR 1976-1977. HE SAID EAST GERMANY EXPRESSED INTEREST ABOUT SIX MONTHS AGO IN SUCH AN UNDERSTANDING BUT THAT INTEREST HAS BEEN MORE INTENSE IN THE LAST FEW MONTHS. THAT INCREASED INTEREST COINCIDES WITH THE U.S.S.R. NOTIFYING SATELLITE NATIONS THEY WOULD GET NO 1977 SOVIET GRAIN. IN 1974-75, EAST
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 210505

GERMANY GOT 720,000 TONS OF WHEAT AND BARLEY FROM THE U.S.S.R., BUT IN 1975-76 GOT MORE. THE DIFFERENCE IN ITS NEED NOW VS. 1975-76 FOR MORE AMERICAN GRAIN STEMS ALSO FROM DROUGHT EFFECTS ON EAST EUROPEAN CROPS.

EAST GERMANY IS NOT ELIGIBLE FOR COMMODITY CREDIT CORP. CREDIT TO HELP IT BUY AMERICAN GRAINS BECAUSE IT DOES NOT HAVE MOST-FAVORED-NATION STATUS.

BY LAST WEEK, EAST GERMANY WAS COMMITTED FOR 444,000 TONS OF 1976-77 U.S. WHEAT, 1,646,000 TONS OF CORN AND 112,000 TONS OF BARLEY FOR A 2.2 MILLION TOTAL. EAST GERMANY BOUGHT 774,000 TONS OF U.S. WHEAT IN 1975-76, 1,463,000 TONS OF CORN, 116,000 TONS OF SORGHUM AND 63,000 TONS BARLEY, FOR A 2,415,000 TOTAL.

USDA FRIDAY ESTIMATED THAT EAST GERMANY WOULD HARVEST EIGHT MILLION TONS OF GRAIN IN 1976-77 VS. 9.2 MILLION IN 1975-76 AND 9.5 IN 1974-75 SEC. BELL THINKS THE EIGHT MILLION TON ESTIMATE, AND USDA'S 88.8 MILLION TON TOTAL EAST EUROPEAN ESTIMATE, MAY BE TOO HIGH.

END TEXT.

2. BEGIN CONFIDENTIAL: JOURNAL OF COMMERCE ARTICLE IS BASED ON DISCUSSIONS WITH USDA WHICH WERE CONDUCTED WITHOUT DEPARTMENT'S KNOWLEDGE. FORMAL RESPONSE TO BEIL'S REQUEST FOR FIVE YEAR GRAIN PURCHASE ARRANGEMENT (REFTEL) IS STILL UNDER DISCUSSION BETWEEN STATE AND USDA. DEPARTMENT HAS, HOWEVER, NOT RPT NOT ESTABLISHED ANY CONNECTION BETWEEN CONSULAR NEGOTIATIONS AND LONG-TERM GRAIN ARRANGEMENT.

3. IF ASKED BY GDR OFFICIALS FOR COMMENT ON JOURNAL OF COMMERCE ARTICLE, EMBASSY SHOULD REPLY THAT GDR REQUEST FOR LONG-TERM ARRANGEMENT IS UNDER ACTIVE CONSIDERATION IN WASHINGTON. EMBASSY MAY ALSO CONFIRM THAT NO TIE HAS BEEN ESTABLISHED BETWEEN THIS REQUEST AND CONSULAR NEGOTIATIONS. KISSINGER

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